Federal Reserve Bank of Dallas

Production Goals and Price Supports

National production goals for 1952 call for a new record-high level of total crop production. A new high level of livestock production also is expected next year. If crop goals are reached and if livestock production comes up to expectations, the total volume of agricultural commodities produced in 1952 will be about 1% above 1951 and 4% above the 1935-39 average.

The USDA has asked producers of feeds and cotton to make every effort to increase production by obtaining higher yields on the available acreage. Large crops of corn and sorghum grains are singled out as being needed next year.

The acreage goals announced by the USDA cover most of the major crops. Add to this the probable acreage of other crops and it is seen that U.S. farmers will require 3 to 4 million acres more cropland than in 1951.

The acreage goals for the states of the Eleventh Federal Reserve District - Arizona, Louisiana, Oklahoma, New Mexico, and Texas - total about the same as the acreage planted for 1951. However, the production goals show an increase of some 15% which means more produced per acre in 1952 than in 1951 if acreage and production goals are met. Whether or not this will be done will depend very largely on rainfall conditions. The production goals for the district states total substantially less than was produced in the record year 1949.

Price considerations will be basic in farmers' production plans in 1952, says the USDA. While demand for agricultural commodities will be generally strong, and farmers will be producing for a market based upon record-high income levels, price support programs again will be used to stimulate high-level production of many commodities. Price support programs already have been announced for a number of 1952 crops. Wheat, rice, corn, cotton, wool, soybeans, milk, and butterfat will be supported at 90% of parity, the maximum permissible level under the Agricultural Act of 1949. Flaxseed will be supported at an average price of $3.77 a bushel, compared with $2.65 in 1951. The announced 1952 support level for oats, barley, grain sorghums, and rye is based on 80% of parity.

Under the Defense Production Act of 1950, as amended, ceiling prices cannot be established on agricultural commodities at less than legal minimum prices determined by the Secretary of Agriculture. For most commodities the legal minimum is parity.

Cotton

The spot cotton market was somewhat weaker early this week as prices dropped to the lowest level in a month. On Tuesday, December 18, Middling 15/16-inch cotton in the 10 spot markets averaged 40.23 cents per pound, vs. 42.65 a week earlier. The comparable price on the Dallas market was 41 cents.

Cottonseed prices in Texas have been declining for the past several weeks. The average gin yard price last week was $74.50 per ton, compared with $74.90 the previous week and $77.90 a month ago. The comparable price a year ago was $106.70 per ton.

Grains

Corn prices on the Fort Worth market last week advanced to the highest level in 32 years. On December 10, No. 2 white corn sold as high as $2.673 per bushel which was only 9 cents under the week's low price for No. 1 hard wheat. Corn prices drifted downward during the past few days, falling to $2.58 3/4 per bushel on Tuesday. No. 2 yellow corn, at $2.25 1/4, was down 8 cents from a week ago.
An important factor in the weaker corn market this week, according to trade reports, is the tendency on the part of many traders to hold off buying corn until more definite information is available concerning a reported standby price regulation for corn which is said to be in the making. Corn prices last week were close to the probable ceiling and this discouraged investment demand in the corn markets.

The weakness in the corn market this week is reflected in prices of other grains. The top price for No. 1 hard wheat at Fort Worth on Tuesday was $3.80 per bushel - down 5 cents from a week ago. No. 2 white oats at $1.22 per bushel were down 41 cents. No. 2 yellow milo brought $3.13 per cwt. - off 2 cents.

The USDA has predicted that wheat production in the U.S. in 1951, now estimated at 994 million bushels, is less than is likely to be used in this country and exported in the 1951-52 season, and that the carry-over next July 1 will be 60 million bushels below a year earlier. However, reserves will still total about 335 million bushels.

Livestock receipts at Fort Worth thus far in 1951 show increases of 9% for cattle, 27% for calves, and 13% for hogs, as compared with a year ago. Marketings of sheep and lambs are down 19%.

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